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Feature Article

‘Overhaul Pawn-broking law’

Pawn-broking is as old as the history. Once, only poor visited the pawnbrokers. Today, people who are stuck in a credit crunch visit pawnbrokers to get instant cash.

Pawn-broking is covered by the Second Hand Dealers Act (Cap 238). Every pawnbroker must hold a licence issued under this Act to operate a pawnshop. The license has to be posted in a noticeable place in the pawnshop.

Here’s how pawn-broking works:

- You hand over the item (known as a pawn) to the pawnbroker who will value it for you;
- The pawnbroker gives you a pawn receipt which you’ll need to keep to prove you own the item. But if you lose the pawnbroker's receipt for your pledge, he can refuse to give you the item back;
- You pay the principal amount with interest to redeem the item with a set time frame; and
- If you fail to pay, you can negotiate an extension on the loan term.

The consumers must also note that there is a catch – there is interest accrued on the loan borrowed. For example, if you have borrowed \$100 in exchange of a mobile phone at a pawnshop, you will be expected to pay the principal amount of \$100 plus \$30 interest per month until the loan is cleared. If the loan term is for three-months, the consumer will end up paying \$190 in total to recover his mobile phone.

While borrowing in this way may be convenient, but it does not always represent good *value* if you can borrow more cheaply elsewhere.

Case Study

Vere pawned a *tabua* worth \$400 at a pawnshop in Nausori in exchange for \$80. Since the item was pawned on 18th January, 2013 she was required to pay \$104 (\$80 plus 30% interest rate) to the pawnshop by 18th February to redeem the item. However, she was not able to pay the \$104 so she sought an extension of time.

Vere asked for six months extension and on the 15th day of the sixth month, she decided to redeem the item by paying the principal amount of \$80 along with interest. By now, she had already paid \$144 (interest) to the pawnbroker.

The day she turned up to the pawnshop to clear her dues, the pawnbroker's wife informed her that her *tabua* had gone missing.

Vere sought the help of the Council. Our investigation revealed that the owner had re-pawned the *tabua* at another pawnshop. This happened despite Vere holding a valid receipt issued by the pawnbroker, which clearly stated the six months extension.

Unfortunately, the pawnbroker could not get back the *tabua*. Thus, the case was referred to the Small Claims Tribunal.

This is yet another case which shows lack of consumer protection and is a hint to the law-makers to reform the law governing pawn-broking business in Fiji. The present law does not clearly define the obligations/duties of the pawnbrokers, except an obligation to issue a receipt to the purchaser of second-hand goods. The Act does not require the pawn agreement to be executed between the parties.

Consumers raising concern with the Council have also called for a monitoring system to be put in place to check if pawnbrokers are disclosing adequate information to the consumers before making deals with the cash-strapped consumers.

Read more first-hand encounters with pawnbrokers next week!